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C O N F I D E N T I A L PARIS 000544

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STATE FOR EUR/WE; NEA/IR; EB/IFD/ODF and EB/ESC/TFS Treasury for
IA/Office of Trade Finance
E.O. 12958: DECL:01/17/2017
TAGS: [PREL](#) [EFIN](#) [MNUC](#) [EXIM](#) [UNSC](#) [OECD](#) [IR](#) [FR](#)
SUBJECT: FRANCE TIGHTENS POLICY ON IRAN EXPORT CREDITS

REFS: A) STATE 4760 B) Paris 407

Classified By: Charge Thomas J. White for reasons 1.4 (b) and
(d).

¶1. (C) SUMMARY: France ratcheted up the pressure on Iran by publicly announcing a change in its export credit policy. It will strictly apply UNSCR 1737, ask companies to screen all transactions with its export credit agency, and lower its exposure to Iran. The announcement marks a u-turn in France's previous reluctance to approach its private sector on the issue.
END SUMMARY

¶2. (U) At the Finance Ministry's annual meeting on export credit policy held on February 8, Xavier Musca, Director General for Economic Policy, announced France is changing its export credit policy to Iran. He discussed UNSC resolution 1737, which he described as an issue that encompasses much more than export credit policy and which represents a change for the international community with regard to relations with Iran. He said France could not ignore the context of that resolution, and so France henceforth would factor two considerations into its export credit policy to Iran.

¶3. (U) First, Musca said France would follow a strict application of UNSCR 1737. He said the Ministry of Finance has asked France's export credit company, COFACE (Compagnie Francaise d'Assurance pour le Commerce Extérieur), to put into place a system for companies to declare all transactions with Iran to allow the Ministry to screen for compliance with the resolution. Second, Musca said that prudence dictates that, although export credits will not be wholly cut off, France will lower its credit cap in 2007. Musca added that these two measures are entirely dependent on what Iran chooses to do about its nuclear weapons program, and also upon further action in the UN Security Council.

¶4. (U) The announcement was the only change in export credit policy announced by Musca at the meeting, to which were invited about 300 representatives of the financial community (e.g., ING Bank, BNP Paribas, Societe Generale, etc.), the export community (COFACE, Natixis, UbiFrance, etc.), large multinationals (AREVA, Alstom, Alcatel-Lucent, Siemens, Peugeot, General Electric, etc.) and defense firms (EADS, Eurocopter, Thales, among others). In the accompanying handouts, Iran was listed as the ninth most active market for COFACE in 2006, with 93 contracts guaranteed, not including planes and ships. It was also listed as the only country where the 2007 ceiling for maturities was expected to go down (within contracts in a range of 200-500 million euros or 260-650 million dollars). On the accompanying map, France has placed an asterisk on Iran, explaining it is

subject to restrictive measures per UNSC 1737.

15. (C) Comment: Musca's announcement comes days after the Ambassador wrote to Finance Minister Breton urging him to halt export credits to Iran, per ref A. While the performance was a marked change in tone for Musca, who just this past summer vehemently listed for us his objections to advising the private sector of the prudential risks of dealing with Iran, it is consistent with his view that more robust action with the French private sector would require the cover of a UNSCR. The policy is also in line with what French officials had told us previously (ref B), but its importance lies in the very public nature of its delivery.

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